

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 SS-15 NSC-10 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-03 RSC-01 PRS-01 USIA-15 TRSE-00

MBFR-03 SAJ-01 EB-11 CEA-02 OMB-01 RSR-01 /120 W

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R 021445Z AUG 73

FM USMISSION NATO

TO SECSTATE WASHDC 1043

SECDEF WASHDC

INFO USNMR SHAPE

USCINCEUR

USLOSACLANT

ALL NATO CAPITALS 3191

USDOOCOSOUTH

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 3652

E.O. 11652: GDS, 12-31-79

TAGS: MCAP, NATO

SUBJECT: BURDEN SHARING: AUGUST 1 NAC DISCUSSION

QUOTED BELOW IS TEXT OF AMBASSADOR RUMSFELD'S AUGUST 1, 1973
PRESENTATION TO THE NAC DURING DISCUSSION ON A MULTILATERAL
PROGRAM TO COMPENSATE THE U.S. FOR THE COSTS OF STATIONING
TROOPS IN EUROPE. BEGIN TEXT:

YOU WILL RECALL MY STATEMENT TO THE DEFENSE
PLANNING COMMITTEE ON MAY 29, AS WELL AS MR. SCHLESINGER'S
REMARKS AT THE JUNE DPC MINISTERIAL MEETING, AND ALSO
SECRETARY ROGERS' FURTHER COMMENTS AT COPENHAGEN ON
JUNE 14 ON THE GENERAL SUBJECT OF U.S. FINANCIAL PROBLEMS
IN CONNECTION WITH THE STATIONING OF A SIZEABLE NUMBER OF U.S.
FORCES IN EUROPE. FOLLOWING OUR LAST MEETING, WE HAVE FURNISHED
AMBASSADOR DE ROSE WITH A COPY OF MY MAY 29 STATEMENT AS WELL
AS THAT OF SECRETARY SCHLESINGER AS REQUESTED BY THE SECRETARY
GENERAL.

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I WOULD LIKE TO PUT THE PROBLEM IN PERSPECTIVE BY FIRST
RECOGNIZING THE FACT THAT THE PEOPLE OF THE EUROPEAN NATIONS
IN NATO ALSO CARRY A BURDEN OF DEFENSE EXPENDITURE AND THAT,

IN THE PAST THREE YEARS, UNDER THE STIMULUS OF AD-70, THEY HAVE MARKEDLY INCREASED THEIR DEFENSE SPENDING. I RECOGNIZE THAT THEY HAVE BEEN RESPONSIVE TO THE NEED TO ASSUME A GREATER SHARE OF THE BURDEN OF THE COMMON DEFENSE. THIS RESPONSE HAS COME NOTABLY FROM THE EUROGROUP IN THE FORM OF THE EUROPEAN DEFENSE IMPROVEMENT PROGRAM AND FROM THE FEDERAL REPUBLIC OF GERMANY IN THE BILATERAL OFFSET AGREEMENT IT CONCLUDED WITH THE UNITED STATES.

WHILE WE RECOGNIZE THIS, OUR SITUATION AND THE CONTINUALLY CHANGING CIRCUMSTANCES REQUIRE THAT THE MOMENTUM OF THE LAST FEW YEARS BE MAINTAINED AND THAT MORE EXTENSIVE EFFORTS BE MADE TOWARD BURDENSARING BY THE OTHER NATIONS OF THE ALLIANCE.

IN APPROACHING THE QUESTION OF DEVISING A METHOD OF SHARING THE UNIQUE BURDEN BORNE BY THE UNITED STATES IN MAINTAINING A LARGE FORCE IN EUROPE, IT IS USEFUL TO REFER TO CERTAIN FACTS CONTAINED IN A RECENT MEMORANDUM OF THE INTERNATIONAL STAFF -- ISM(73)7 -- DATED JULY 16 OF THIS YEAR. THIS MEMORANDUM PRESENTS BASIC STATISTICAL DATA ON THE DEFENSE EFFORT AND THE ECONOMIC DEVELOPMENT OF NATO COUNTRIES. THE DATA PRESENTED REVEAL THE FOLLOWING:

(1) 68 PERCENT OF THE AGGREGATE ESTIMATED DEFENSE EXPENDITURE OF THE 15 NATIONS OF THE ALLIANCE IN 1973 IS BEING MADE BY THE UNITED STATES, ALTHOUGH THE UNITED STATES ACCOUNTS FOR ABOUT 58 PERCENT OF THE AGGREGATE ESTIMATED GROSS NATIONAL PRODUCT OF THE 15 NATIONS.

(2) THE DEFENSE EXPENDITURE OF THE UNITED STATES, AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, EXCEEDS THAT OF ANY OTHER MEMBER OF THE ALLIANCE EXCEPT ONE. DURING CALENDAR YEAR 1973, THE DEFENSE EXPENDITURES OF THE UNITED STATES WILL BE EQUAL TO 6.8 PERCENT OF OUR GROSS NATIONAL PRODUCT. COLLECTIVELY, THE EUROPEAN MEMBERS OF THE ALLIANCE ARE SPENDING

4.1 PERCENT OF THEIR GROSS NATIONAL PRODUCT FOR DEFENSE.

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I POINT OUT THESE FACTS BECAUSE THEY INDICATE THAT THE DEFENSE ESTABLISHMENT OF THE UNITED STATES DOES IMPOSE A SUBSTANTIAL BURDEN ON THE AMERICAN PEOPLE. THIS BURDEN HAS BEEN ASSUMED BECAUSE THE PEOPLE OF THE UNITED STATES SUPPORT THE CAUSE FOR WHICH THIS ALLIANCE WAS FORMED -- THE COMMON DEFENSE OF ITS MEMBER NATIONS.

U.S. PUBLIC SUPPORT OF THE ALLIANCE HAS PROMPTED THE CONGRESS OF THE UNITED STATES TO PERMIT THE STATIONING OF FORCES THAT INCLUDE APPROXIMATELY 300,000 MEN IN THE EUROPEAN AREA AND TO PROVIDE SUBSTANTIAL SUMS OF MONEY TO KEEP THEM THERE. TODAY

AS EVERYONE AROUND THIS TABLE IS AWARE, THERE IS A STRONG CURRENT OF OPINION IN MY COUNTRY, FED BY MANY CONSIDERATIONS, THAT OUR TROOP STRENGTH SHOULD BE UNILATERALLY REDUCED. IT IS AN OPINION THAT RECEIVES INCREASING ACCEPTANCE BY THE PEOPLE AND THE CONGRESS OF THE UNITED STATES. HOWEVER, IT IS NOT THE VIEW OF THE PRESIDENT OR THE PRINCIPAL OFFICERS OF OUR GOVERNMENT WITH RESPONSIBILITY FOR FOREIGN AND DEFENSE POLICY.

WE ARE ASKING THAT THE ALLIANCE DEVELOP A MULTILATERAL ARRANGEMENT WHICH WILL (A) PROVIDE A SUITABLE ECONOMIC BASIS FOR CONTINUED MAINTENANCE OF U.S. EUROPEAN TROOP DEPLOYMENTS AND REFLECT CHANGES IN THE ECONOMIC ENVIRONMENT THAT HAVE OCCURRED SINCE THE TROOPS WERE FIRST DEPLOYED, (B) BE REALISTIC FOR EUROPEAN GOVERNMENTS TO UNDERTAKE, AND (C) CONTRIBUTE A STRIKING EXAMPLE OF ALLIED ACTIONS TO MORE EQUITABLY DISTRIBUTE THE BURDEN OF THE COMMON DEFENSE.

ANY MULTILATERAL ARRANGEMENT MUST ULTIMATELY BE A PRODUCT OF A EUROPEAN EFFORT RATHER THAN AMERICAN PROPOSAL. WE BELIEVE THAT THIS APPROACH WOULD BE THE MOST SUCCESSFUL AS IS SUGGESTED BY THE EUROGROUP EDIP EFFORT. WE ASK EUROPEANS TO TAKE THE LEAD ON THIS ISSUE. HOWEVER, ALLIED REACTIONS TO THE U.S. MULTILATERAL BURDENS HAVING AND BALANCE OF PAYMENTS OFFSET INITIATIVE INDICATE A DESIRE THAT THE U.S. BE SOMEWHAT MORE EXPLICIT.

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 3652

THE U.S. STILL FEELS THAT IMPROVEMENTS IN EUROPEAN FORCES

ARE THE MOST IMPORTANT ASPECT OF SHARING THE DEFENSE BURDEN. HOWEVER, THERE IS AN INCREASING NEED TO ADJUST TO THE CHANGED ECONOMIC ENVIRONMENT IN WHICH THE U.S. NOW FACES RECURRING BALANCE OF PAYMENTS DEFICITS. WITH THIS IN MIND, WE BELIEVE THE ALLIES SHOULD DEVELOP SOME MULTILATERAL FORMULA DESIGNED TO REDUCE THE FINANCIAL COSTS ASSOCIATED WITH OUR TROOP PRESENCE, WITHOUT DETRACTING FROM ALLIED FORCE IMPROVEMENT EFFORTS.

MAINTAINING CURRENT LEVELS OF U.S. FORCES IN EUROPE, RATHER THAN IN THE U.S., IMPOSES BUDGETARY AND BALANCE OF PAYMENTS STRAINS ON THE U.S. THEREFORE, WE SEEK AN ARRANGEMENT OR ARRANGEMENTS COVERING SUBSTANTIALLY ALL FUTURE NATO-RELATED MILITARY BALANCE OF PAYMENTS EXPENDITURES (ESTIMATED TO BE APPROXIMATELY 2.7 BILLION DOLLARS IN FY 74 BEFORE BILATERAL OFFSETS) OF WHICH AT LEAST 440 MILLION DOLLARS WOULD BE IN THE FORM OF DIRECT BUDGETARY SUPPORT MEASURES.

WHILE WE DO NOT HAVE ANY SPECIFIC FORMULA IN MIND, WE HAVE
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LISTED BELOW SEVERAL ACTIONS WHICH MIGHT BE IMPLEMENTED THROUGH A NEW MULTILATERAL MECHANISM. POSSIBLE MECHANISMS MIGHT INCLUDE: (A) A NEW MULTILATERAL FUND, OR (B) MULTIPLE BILATERAL ARRANGEMENTS BETWEEN THE U.S. AND VARIOUS ALLIES.

POSSIBLE ACTIONS TO COVER BOTH BUDGETARY AND BALANCE OF PAYMENTS COSTS OF U.S. STATIONED FORCES INCLUDE:

FIRST, ASSUMING PAYMENT OF LOCAL WAGES CURRENTLY PAID BY THE U.S. OR OTHER U.S. BASING COSTS PERHAPS IN THE CONTEXT OF A JOINT BASING ARRANGEMENT.

SECOND, ASSUMING RECURRING ANNUAL COSTS ASSOCIATED WITH THE OPERATION AND MAINTENANCE OF (A) REAL PROPERTY, (B) U.S. ARMY MAINTENANCE PLANTS, (C) U.S. SUPPLY DEPOTS AND COLD STORAGE SITES, (D) COMMUNICATION SYSTEMS, (E) USAF STAND-BY FACILITIES IN THE UNITED KINGDOM, NETHERLANDS AND THE FEDERAL REPUBLIC OF GERMANY.

THIRD, ASSUMING NON-RECURRING COSTS, SUCH AS THE CONSTRUCTION AND REHABILITATION OF FACILITIES FOR U.S. FORCES. THIS EFFORT SHOULD COVER ITEMS FOR WHICH U.S. APPROPRIATED FUNDS COULD BE SPENT AND BALANCE OF PAYMENTS BUDGETARY REDUCTION REALIZED. (AN EXAMPLE MIGHT BE PAYMENT OF THE CONSTRUCTION OF SHELTERS FOR ALL U.S. AIRCRAFT SCHEDULED FOR DEPLOYMENT BY M PLUS 30 AND PAYMENT FOR NEW CONSTRUCTION OF DEPENDENT SCHOOLS.)

FOURTH, REDUCING THE U.S. PERCENTAGE SHARE OF THE NEXT FIVE-YEAR INFRASTRUCTURE PROGRAM AND INCLUDING NEW CATEGORIES OF ELIGIBILITY TO (1) SUPPORT CERTAIN COSTS INCURRED BY STATIONED

FORCES, E.G., WAREHOUSES AND OTHER LOGISTICS FACILITIES,
AND (2) PAY FOR RECEPTION FACILITIES FOR RAPID REACTION FORCES.
(NEGOTIATIONS ON THE NEXT FIVE-YEAR PERIOD HAVE ALREADY COMMENCED
IN THE NATO INFRASTRUCTURE COMMITTEE. HOWEVER, I WOULD INDICATE
THAT WE REGARD INFRASTRUCTURE AS ONE WAY TO MEET OUR NEEDS.)

ACTIONS AIMED SOLELY AT REDUCING THE U.S. MILITARY BALANCE OF
PAYMENTS DEFICIT INCLUDE:

INCREASED PURCHASES OF U.S. MILITARY GOODS AND FUNDING OF
CIVILIAN RESEARCH AND DEVELOPMENT PROJECTS IN THE UNITED
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STATES AS CURRENTLY UNDER CONSIDERATION IN PREPARATION FOR THE
BILATERAL NEGOTIATIONS. OBVIOUSLY, PURCHASES OF MILITARY GOODS
ENABLE THE ALLIES TO MAINTAIN AND ENHANCE THEIR NATIONAL FORCE
IMPROVEMENT EFFORTS WHILE HELPING TO SOLVE U.S. BALANCE OF
PAYMENTS PROBLEMS.

WE DO NOT CONSIDER THESE ACTIONS AS THE ONLY POSSIBILITIES
AVAILABLE TO THE ALLIES, AND WE DO NOT INTEND THAT THEY SHOULD BE
VIEWED AS LISTED IN ORDER OF PREFERENCE. THE PROPOSALS IN THE
FIRST LIST HAVE BOTH BUDGETARY AND BALANCE OF PAYMENTS EFFECTS,
AND THEREFORE WOULD BE PREFERABLE. WE DO NOT WISH TO GIVE THE
ALLIES THE IMPRESSION THAT WE HAVE ANY ONE SOLUTION TO THE PROBLEM
IN MIND. WE WOULD PREFER THAT THEY VIEW THESE AS SUGGESTIONS
AND THEN DEVELOP A WORKABLE EUROPEAN PROGRAM. END TEXT.
RUMSFELD

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